



Department of Justice

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Middle District of Louisiana

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SEVEN CHARGED IN LIFE INSURANCE FRAUD SCHEME

BATON ROUGE, LA – United States Attorney Donald J. Cazayoux, Jr. announced today that seven area residents have been charged for their role in a life insurance fraud scheme. The U.S. Attorney has charged TIMOTHY R. SCHLATRE, 34, of Denham Springs, with mail fraud, money laundering, and asset forfeiture. SCHLATRE faces a maximum sentence of 30 years in prison and fines of up to \$500,000 or twice the gross gain or loss from the offense, whichever is larger.

The U.S. Attorney has also charged JASON PAUL AUSTIN, 32, of Walker, JODI MARIE AUSTIN, 34, of Walker, RICKY J. AUSTIN, 49, of Denham Springs, JIMMY O. CASSELS, 33, of Denham Springs, TODD D. CUMMINGS, 34, of Walker, and DENA A. GAUDET, 33, of Denham Springs, each with Conspiracy to Commit Mail Fraud. These individuals each face a maximum sentence of 5 years in prison and a fine of up to \$250,000.

The Bills of Information allege that SCHLATRE, using his position as a life insurance agent for New York Life and Lincoln Financial, devised a scheme to defraud New York Life and Lincoln Financial in order to fraudulently receive commission payments by selling life insurance policies based on false statements and representations. Specifically, SCHLATRE submitted false information to the companies regarding the applicant's net worth and annual income, thereby defrauding New York Life and Lincoln Financial into approving the policies and issuing the commission payments to SCHLATRE to which he was not entitled. Because the policy values were so large, the applicants could not afford to make the premium payments. In order to effectuate his scheme, SCHLATRE further agreed to provide the premium payments on behalf of the applicants. This process, known as "rebating," was prohibited by both company's policies as well as state law. In order to conceal the fact that he was the source of the premiums, SCHLATRE deposited money directly into the individual applicant's bank account. SCHLATRE further misrepresented the source of the premium payments by falsely declaring that he was not paying or allowing the rebating of any premiums.

The Bills of Information further allege that JASON AUSTIN, JODI AUSTIN, RICKY AUSTIN, JIMMY CASSELS, TODD CUMMINGS and DENA GAUDET each conspired with SCHLATRE to obtain life insurance policies by making false statements regarding their net worth and annual income. All are alleged to have provided false information in their written applications as well as in subsequent phone interviews as part of the underwriting process.

The Bills of Information allege that SCHLATRE defrauded New York Life and Lincoln Financial into issuing life insurance policies in excess of \$100 million dollars. This resulted in the receipt of commissions to which he was not entitled in excess of hundreds of thousands of dollars.

United States Attorney Donald J. Cazayoux, Jr. stated, "This ongoing investigation is another example of how close cooperation between our federal and state partners results in the effective investigation and prosecution of significant fraudulent schemes. We will continue to pursue all who seek personal benefit through deception."

"This investigation should be a clear reminder that federal law enforcement's reach into white collar crime extends beyond traditional health care, investment and corporate fraud to bring those responsible to justice," stated FBI Special Agent-in-Charge Michael J. Anderson.

"People who conspire to create elaborate insurance fraud schemes run a very high risk of prosecution," stated James C. Lee, Special Agent-in-Charge, IRS Criminal Investigation. "IRS is committed to working diligently with the Department of Justice to dismantle these organizations."

Louisiana State Inspector General Stephen Street stated, "Mr. Schlatre and his cohorts engaged in a fraud scheme over a period of several years, and will now be held accountable. This case is the latest example of success in OIG's ongoing partnership with the U.S. Attorney, FBI and IRS in investigating corruption cases."

The investigation of this matter was conducted by the Federal Bureau of Investigation, the Internal Revenue Service - Criminal Investigation, and the Louisiana Office of Inspector General. The Louisiana Department of Insurance assisted in the investigation. The cases are being prosecuted by Assistant United States Attorney Rich Bourgeois who serves as Deputy Criminal Chief.

NOTE: A Bill of Information is a determination by the U.S. Attorney that probable cause exists to believe that offenses have been committed by a defendant. The defendants are presumed innocent until and unless proven guilty at trial.

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